



Legislation Text

File #: 16-1030, **Version:** 1

Recommendation to receive and file the Investment Report for Quarter Ending September 30, 2016. (Citywide)

The Department of Financial Management, City Treasurer's Office, invests the City's funds in compliance with the California Government Code, Section 53600 et. seq., and the City's Investment Policy. As of September 30, 2016, these funds had a book value of approximately \$1.540 billion.

Statutory Compliance

All investment transactions have been executed in conformance with the City's Investment Policy and the California Government Code. The Investment Advisory Committee, composed of the Assistant City Auditor, Deputy City Attorney, City Treasurer, Debt Manager, City Controller, Budget Management Bureau staff, and designated representatives from the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies, strategies and performance. All portfolio transactions as of September 30, 2016, can be found in Attachment A.

Investment Strategies

The City's Investment Policy divides the investment portfolio into short-term, intermediate-term, and long-term portfolios. Their respective benchmarks are the Three-Month Treasury Bill, the One-Year Constant Maturity Treasury (CMT) and the Merrill Lynch One-to-Five Year Treasury/Agency.

The short-term portfolio maintains a weighted average maturity of three to six months and provides sufficient liquidity to satisfy the City's short-term cash needs. The intermediate-term portfolio maintains a weighted average maturity of approximately one year and provides for the cash needs with maturities greater than six months. The long-term portfolio maintains a weighted average maturity of one to five years to satisfy the City's longer-term cash needs. The City's cash management goals are to maintain and preserve the safety of funds in custody and provide adequate liquidity for anticipated expenditure needs. Approximately \$470 million of the total investment pool, or approximately 31 percent of funds, will mature in the next six months, ensuring that sufficient funds are available to meet the City's liquidity needs.

Investment Position and Performance

The following table summarizes the City's investment pool position and performance for the quarter ending September 30, 2016:

INVESTMENT PORTFOLIO POSITION AND PERFORMANCE SUMMARY						
Portfolio	INVESTMENT POSITION AS OF SEPTEMBER 30, 2016			INVESTMENT PERFORMANCE ⁴ JULY 1, 2016 THRU SEPTEMBER 30, 2016		
	Book Value ¹	Market Value ¹	Unrealized Gain/(Loss) ²	Portfolio Total Return ³	Benchmark Total Return ³	Variance From Benchmark ³
Short-Term	\$226,362,262	\$226,381,232	\$18,969	0.09 percent	0.05 percent	0.04 percent
Intermediate-Term	\$651,911,397	\$653,330,771	\$1,419,373	0.13 percent	0.08 percent	0.05 percent
Long-Term	\$431,439,157	\$434,643,370	\$3,204,213	(0.04) percent	(0.18) percent	0.14 percent
Total Investments	\$1,309,712,817	\$1,314,355,372	\$4,642,555	0.07 percent	(0.01) percent	0.08 percent
Cash	\$225,608,555	\$225,608,555				
Total Cash and Investments	\$1,535,321,372	\$1,539,963,928				

¹ Book value is the initial value/outlay for an investment, while market value represents the value based on current market conditions.

² Unrealized Gain/(Loss) is the difference between book and market value. Typically, investments are held to maturity and therefore gains/losses are rarely realized.

³ Total Return is an annualized performance measurement metric that includes income and both realized and unrealized gains/(losses).

⁴ Investment Performance - Total Investments / Total Return numbers are calculated as a weighted average.

Investment portfolio holdings as of September 30, 2016, can be found in Attachment B.

This matter was reviewed by Deputy City Attorney Amy R. Webber on November 1, 2016 and by Assistant Finance Director Lea Eriksen on November 2, 2016.

This item is not time critical.

There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

[Enter Body Here]

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER